
ELMORE LIMITED (FORMALLY INDIORE LIMITED) AND CONTROLLED ENTITIES

ABN 32 057 140 922

Interim Financial Report for the half year ended 31 December 2019

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CORPORATE DIRECTORY

Directors

D Mendelawitz
Managing Director / CEO

P Richards
Chairman

N Senapati
Non-Executive Director

T Webster
Non-Executive Director

Company Secretary

S P Henbury

Registered Office

c/- Armada Accountants & Advisors
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Osborne Park WA 6017
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Web Site Address

www.Elmoreltd.com

Share Registry

Automic Registry Services
Level 2, 267 St Georges Terrace
Perth WA 6000
Telephone: (08) 9324 2009

Auditors

BDO Audit (WA) P/L
38 Station Street
Subiaco WA 6008

Stock Exchange Listing

Elmore Limited's shares and options listed on the Australian
Australian Securities Exchange Share Code: ELE

DIRECTORS' REPORT

Your directors present their report on the consolidated entity consisting of Elmore Limited (**ELE**), and the entities it controlled at the end of, or during, the half-year ended 31 December 2019.

Directors

The following persons were directors of Elmore Limited during the whole of the half year and up to the date of this report:

Peter Richards	Non-Executive Director
David Mendelawitz	Managing Director/CEO
Nik Senapati	Non-Executive Director
Tim Webster	Non-Executive Director

REVIEW OF OPERATIONS

OPERATIONS

On 1 July 2019, the Company announced that it had signed an MOU with Trendsheer Holdings Pty Ltd (**Trendsheer**) for materials processing on their Frances Creek Iron Ore Mine in the Northern Territory. An agreement was later executed in relation to this contract, converting it a contract to provide equipment for the client to operate and technical expertise at a fixed rate per month.



The mobile processing equipment used by Elmore at Frances Creek

Elmore worked closely with Trendsheer to determine how best to utilise Elmore's plant. Once the mine plan was finalised, Elmore also determined whether the plant was suitable to process both the iron ore and the gold ore that Elmore had been contracted to mine on behalf of Trendsheer's related entities. Refer to subsequent events below.

CORPORATE

Voluntary Suspension

As a consequence of the change in the Company's business focus, on 12 December 2018 the Company requested a voluntary suspension on the trading of its securities.

At the time of lodging this report the Company remains in suspension.

Divestiture of Subsidiaries

Elmore has completed the divestiture of its Singaporean subsidiary and as a result, the Indian subsidiary, including all liabilities.

After the failure of Benita Industries to meet agreed conditions, an agreement was made on materially similar terms with the Goode Family Trust (GFT), controlled by former CEO/Managing Director, Cedric Goode. GFT now owns all of the shares in the former Singaporean subsidiary (ISIO) and thus control of ISIO's Indian Subsidiary (NSL MRI) for:

- \$1 and agreement to pay the outstanding balance owed to Huate for the WHMS and LIMS that were bought for the Indian P3 expansion, and
- Using best endeavours to secure of the WHIMS and LIMS for Elmore's future use.

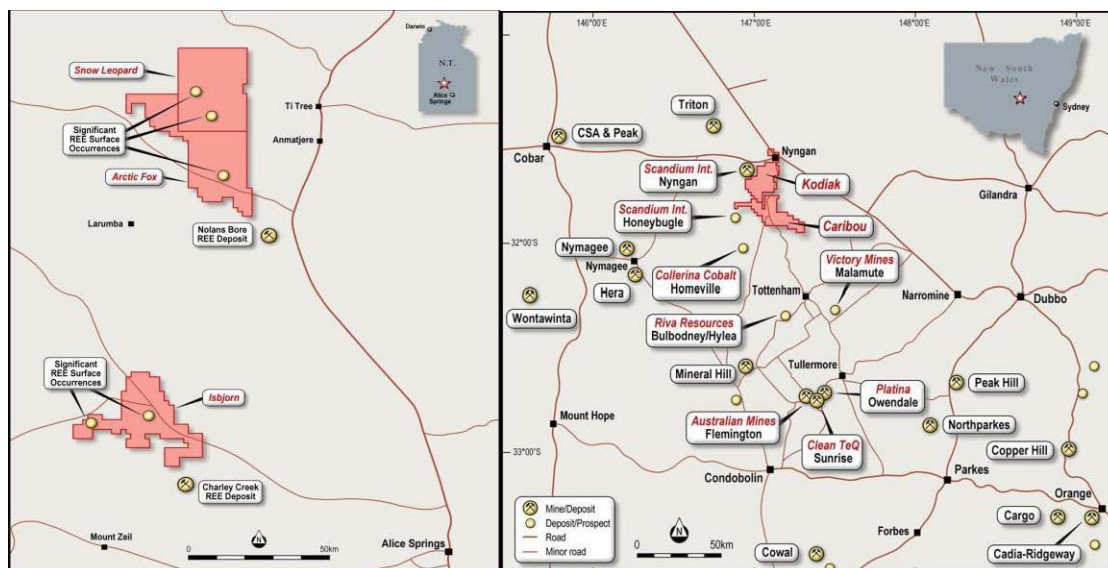
As part of the agreement Elmore agreed to cover some of the Singaporean corporate costs for up to 6 months. No material relevant corporate expenditure has been incurred, that Elmore would be liable to pay for.

Coal Hub /Subiaco Capital Matter

As announced on 16 February 2015, the Company received a writ of summons in relation to a Coal Acquisition Agreement dated 15 June 2011 with Birmanie Nominees Pty Ltd (the vendor under the agreement, Birmanie) relating to 4 coal EPCs in Queensland. The writ alleges that NSL has failed to meet various obligations under the Coal Acquisition Agreement. Birmanie has claimed \$2.5m in damages. During the period, the Trial concluded in the Supreme Court of Western Australia, Her Honour Justice Banks-Smith has reserved her decision, ruling in favour of the Company.

The Company pursued litigation costs incurred through the prescribed legal process in the Supreme Court of Western Australia.

Following negotiations, Elmore executed an agreement in January 2020, with Coal Hub /Subiaco Capital to settle the outstanding costs order for a 20% ownership of an unlisted Australian rare earths company (New Age Resources, NAR). NAR has 6 highly prospective rare earths tenements within New South Wales and the Northern Territory, located near significant resources of rare earths.



NAR's Tenements: left = Northern Territory, right = New South Wales Note proximity to Nolan's Bore in Northern Territory

Biggs Matter

In addition to the above Coal Hub /Subiaco Capital Matter, the Company commenced proceedings in the Supreme Court of Western Australia against Mr Biggs, in relation to the Independent Geologist Report which the Company commissioned him to prepare as part of its due diligence on applications for exploration permits for coal tenements in Queensland.

The Company is also claiming damages against Mr Biggs for negligence and misleading or deceptive conduct in the making of a number of representations in his report. Mr Biggs has filed a defence denying those allegations.

Following the period end, Elmore settled the Biggs matter for an anticipated cash settlement of \$50,000 to be paid by Mr Biggs by 30 June 2020. In July, the Company entered a Deed of Settlement with Mr Briggs to repay the settlement amount via 5 equal instalments beginning in July 2020. All of the planned payments were made to Elmore as per the Deed.

Gold Valley Iron Pty Ltd Matter

The key terms of the plant purchase agreement and processing agreement are included in the announcement of 31 May 2019 and include several conditions precedent that must be met before the final payment of \$1,000,000 + GST becomes payable to GVI. These conditions precedent were to be met to Elmore's satisfaction prior to 28 October 2019. GVI was not able to demonstrate to Elmore that they have been able to satisfy all of the conditions precedent and as such, the Company has not made the final payment.

GVI has issued a writ against Elmore seeking payment of the \$1million final payment. Subsequently, the action was suspended indefinitely after GVI was placed into external administration. Gold Valley Iron Pty Ltd (GVI) was placed into liquidation after administrators KordaMentha found no viable way to bring GVI out of administration and its iron project back into operation. As the principal secured creditor, Elmore is working with the liquidators to allow the process of securing and distributing assets to proceed.

A Deed has been agreed by the Receivers and the Liquidators, in which it is confirmed that the \$1 million final payment will not be sought from Elmore Ltd. This Deed is agreed and unsigned and hence included as a contingent liability.

Fund Raising

The Company raised \$1.125 million in the half year through the issue of 28,125,000 ordinary shares at \$0.04 per share to First Samuel.

The Company received a further \$500,000 bridging loan from Twynam Investments in the form of a 90-day secured note at 20% interest per annum, which originally matured on 18 March 2020, though subsequently has been continued on a default interest rate of 30% since this date. The note is convertible at the lower of \$0.02 per share or 25% discount to the share price of any equity issued prior to the maturity of the note. This Note has been rolled over by agreement to 31 March 2021.

EVENTS SUBSEQUENT TO THE HALF YEAR

Frances Creek

Elmore sent its mobile crushing and screening plant to Frances Creek in late March. The plant was used to crush low-grade iron ore stockpiles and later to process direct ship grade iron ore (DSO). The low-grade material was upgraded using an ore-sorter and, in the future, a dense media separation (DMS) plant, both of which are the responsibility of Trendsheer. Effective from 1 March 2020, Elmore was on a contract rate of \$200,000 per month plus GST..

Elmore and Trendsheer also agreed to continue with the fixed rate of \$200,000 per month plus GST, but vary the contract to include, in addition to Elmore providing the crushing and screening circuit, they will provide management oversight of the crushing, screening, beneficiation and maintenance personnel. This variation was executed in early June 2020 and obligates Trendsheer to be responsible for all operating and maintenance costs associated with the plant, whilst providing Elmore with more certainty of cashflows, independent of when the ore-sorter and DMS is commissioned.

The equipment hire and consulting contract with Trendsheer was completed on 30 September 2020,

Elmore then determined Trendsheer's final equipment "make good" payment in early October and signed a land Access Agreement, which allows the Company to relocate the mobile and fixed crushing and screening plant (FCFP) from Frances Creek.

Trendsheer finalised all outstanding payments in early October, which totalled more than \$980k.

With the Access Agreement signed, work was undertaken to dismantle the FCFP and relocate it to Darwin. Where it can be worked on and stored, whilst determining the next location for it to be deployed. The plant is now fully relocated safely to Darwin.

The Company has started the process of converting the FCFP components into a 4-5Mtpa moveable crushing and screening plant, utilising the Company's proprietary modularly foundations.



Elmore's crushing and screening plant established at Frances Creek.

Peko Tails Project

Subsequent to 31 December 2019, ICA Mining (ICA) finalised its funding for its Peko Tailings Project (Peko) which allowed Elmore to commence preparations towards processing of both iron ore and gold. Pursuant to the contract with ICA, as of 1 May 2020 Elmore was entitled to be paid a monthly standby rate of \$200,000 plus GST. In the interests of both parties, Elmore offered ICA for this fee to be restructured such that the Company will now provide additional project management services, including but not limited to, geology, safety, security and product marketing for no extra cost to ICA. This is in addition to the originally planned oversight of design, procurement and construction of ICA's magnetite processing facilities. Separately, Elmore is continuing to design and develop its mobile gold plant. It is expected that the project management consulting fee will cover a more extensive scope of deliverables than originally anticipated, although still within Elmore's capabilities.

Elmore and ICA Mining completed negotiations in June 2020, amended and executed the service contract and settled outstanding invoices issued for the May and June period that were accrued during the negotiations.

The changes in the contract relates primarily to the fee structure for the delivery of the magnetite processing component of the contract (with no changes to the gold processing component). The pertinent changes to the contract are:

- Replacement of the standby rate with a schedule of consulting rates, plus a 10% administration margin on monthly invoices. The consulting schedule of rates has applied until October 31st, which is the target date for first magnetite product.
- The previous contract had Elmore receiving a tiered percentage of free cash generated from magnetite product sales. It was agreed that this was both difficult to administer and potentially counter to the interests of all parties. From the 1st November 2020 onwards, for a term of 5 years, Elmore will now oversee the production of magnetite from ICAs plant on the revised structure of:
 1. All operating costs borne by ICA;
 2. Monthly management fee paid to Elmore of \$100,000 plus GST paid in arrears and calculated pro-rata each calendar month during the Processing Stage; and
 3. Production fee of \$2.00 per tonne of saleable magnetite product removed from site to be paid to Elmore.

Gold, copper and cobalt (polymetallic) rich tailings processing remains unchanged at:

Processing of Gold, Copper and Cobalt Bearing Tailings Post Treatment for Magnetite Extraction – Gravity separation, Flotation and Leaching

- AU\$30.00 per tonne of in-feed with power provided by Processor
- AU\$22.00 per tonne of in-feed with power provided by Miner

Processing of Gold Bearing Primary Ore – Crushing, Grinding, Gravity separation, Flotation and Leaching

- AU\$44.00 per tonne of in-feed with Power provided by Processor
- AU\$36.00 per tonne of in-feed with power provided by Miner

Elmore and ICA Mining have agreed to suspend the commencement of the polymetallic tails processing project until later in H2, 2021 to provide time to optimise the final product(s) to be produced. The project is looking to produce a combination of concentrate +/- gold dore.

Biggs Matter

Subsequent to half year end, Elmore settled the Biggs matter for an anticipated cash settlement of \$50,000 to be paid by Mr Biggs by 30 June 2020. In July 2020 the Company entered into a Deed of Settlement with Mr Briggs to repay the settlement amount of 5 equal instalments beginning July 2020. All of these repayments were made during the year.

Sean Freeman Matter

On 26 April 2019 Sean Freeman's (previous Chief Operating Officer and Managing Director of NSL MRI) employment was terminated.

Subsequent to this, Mr Freeman issued legal proceedings against Elmore and personally against Elmore's Managing Director for wrongful dismissal and based around failure to pay a range of entitlements under his Executive Service Agreement.

The matter was heard by the Federal Circuit Court on Friday 16 October 2020. The Company was successful at trial and the case was dismissed in its entirety. Due to the forum in which the trial was held, no order was made for costs of either party.

Fund Raising

On 5 March 2020 the Company entered into a loan agreement with SA & J Boyle for the principle sum of \$20,000 at an interest rate of 18% per annum payable by 5 September 2020. Subsequent to the period end the loan was extended to 31 March 2021.

On 20 March 2020 the Company entered into a loan agreement with J.E.D International Pty Ltd for the principle sum of \$75,000 at an interest rate of 3.5% per month payable over a three month period. Subsequent to the period end the loan was extended to 31 March 2021.

The Company also received \$100,000 on 20 March 2020 after entering into a loan agreement with OMT Investments Pty Ltd at an interest rate of 3.5% per month payable over a three month period. Subsequent to the period end the loan was extended to 31 March 2021.

DECLARATION OF INDEPENDENCE BY JARRAD PRUE TO THE DIRECTORS OF ELMORE LIMITED

As lead auditor for the review of Elmore Limited for the half-year ended 31 December 2019, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Elmore Limited and the entities it controlled during the period.



Jarrad Prue

Director

BDO Audit (WA) Pty Ltd

Perth, 11 December 2020

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Half-Year Ended 31 December 2019

	Notes	31 Dec 2019 \$	31 Dec 2018 \$
Revenue from continuing operations		-	35,862
Other income		8,764	12,128
Depreciation and amortisation		(147,759)	(48,090)
Employment benefits expenses		(436,306)	(1,294,626)
Finance and administration		(209,018)	(210,885)
Corporate expenses		(323,951)	(282,366)
Operational expenses	3	(459,683)	-
Impairment of Indian Assets	3	-	(6,633,587)
Loss from continuing operations before income tax		(1,567,953)	(8,421,564)
Income tax expense		-	-
Loss from continuing operations after income tax		(1,567,953)	(8,421,564)
Other comprehensive income			
<i>Items that may be reclassified to Profit or Loss</i>			
Foreign currency translation		(8,789)	(1,025,330)
Other comprehensive income/(loss) for the half-year, net of tax		(8,789)	(1,025,330)
Total comprehensive loss for the half-year		(1,576,742)	(9,446,894)
Loss for the half year is attributable to the owners of Elmore Limited		(1,567,953)	(8,421,564)
Total comprehensive loss for the half-year is attributable to the owners of Elmore Limited		(1,576,742)	(9,446,894)
Loss per share for the half year attributable to the members of Elmore Limited			
Basic loss per share attributable to ordinary equity holders (cents)		(0.52)	(0.28)

The above consolidated statement of profit or loss or other comprehensive income should be read in conjunction with the accompanying notes

Consolidated Statement of Financial Position As at 31 December 2019

	Notes	31 Dec 2019 \$	30 Jun 2019 \$
ASSETS			
Current assets			
Cash and cash equivalents		328,610	55,463
Other receivables and prepayments	4	229,706	340,716
Total current assets		558,316	396,179
Non-current assets			
Other receivables and prepayments	4	55,772	34,918
Property, plant and equipment		1,597,508	1,527,504
Right of use assets		402,895	-
Total non-current assets		2,056,175	1,562,422
Total Assets		2,614,491	1,958,601
LIABILITIES			
Current liabilities			
Trade and other payables		479,944	292,386
Provisions		60,705	104,425
Borrowings	5	573,033	-
Lease liabilities		363,166	-
Total current liabilities		1,476,848	396,811
Non-current liabilities			
Deferred tax liabilities		409,617	382,022
Total non-current liabilities		409,617	382,022
Total Liabilities		1,886,465	778,833
Net assets		728,026	1,179,767
EQUITY			
Contributed equity		75,991,282	74,866,282
Reserves		2,660,317	2,669,106
Accumulated losses		(77,923,573)	(76,355,621)
Total equity		728,026	1,179,767

The above consolidated statement of financial position should be read in conjunction with the accompanying notes

Consolidated Statement of Changes in Equity For the Half-Year Ended 31 December 2019

	Contributed Equity \$	Accumulated Losses \$	Foreign Currency Translation Reserve \$	Share Based Payments Reserve \$	Total Equity \$
Balance at 1.7.2018	72,750,343	(60,589,903)	(2,890,692)	2,703,708	11,973,456
Total comprehensive loss for the half-year	-	(8,421,564)	(1,025,330)	-	(9,446,894)
Transactions with owners in their capacity as owners					
Share based payments	-	-	-	-	-
Contributions of equity, net of transaction costs	-	-	-	-	-
Balance at 31.12.2018	72,750,343	(69,011,467)	(3,916,022)	2,703,708	2,526,562
Balance at 1.7.2019	74,866,282	(76,355,620)	(34,602)	2,703,708	1,179,768
Total comprehensive loss for the half-year	-	(1,567,953)	(8,789)	-	(1,576,742)
Transactions with owners in their capacity as owners					
Share based payments	-	-	-	-	-
Contributions of equity, net of transaction costs	1,125,000	-	-	-	1,125,000
Balance at 31.12.2019	75,991,282	(77,923,573)	(43,391)	2,703,708	728,026

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes

Consolidated Statement of Cash Flows For the Half-Year Ended 31 December 2019

	Half-Year 2019 \$	Half-Year 2018 \$
Cash flows from to operating activities		
Cash receipts from customers	-	35,862
Payments to suppliers and employees	(1,317,593)	(3,032,590)
Interest paid	(223)	13,736
Interest received	-	(1,608)
	<u>-</u>	<u>(1,608)</u>
Net cash outflows from operating activities	<u>(1,317,816)</u>	<u>(2,984,599)</u>
Cash flows from investing activities		
Payments for property, plant and equipment	(83,466)	(3,140,670)
Payments for prepayments	-	(725,669)
Payments for security deposits	(15,854)	-
Payments for development expenditure	-	(1,340,114)
	<u>-</u>	<u>(1,340,114)</u>
Net cash outflows from investing activities	<u>(99,320)</u>	<u>(5,206,453)</u>
Cash flows from financing activities		
Proceeds from the issue of shares	1,125,000	921,764
Proceeds from borrowings	565,282	-
	<u>1,690,282</u>	<u>921,764</u>
Net cash inflows from financing activities	<u>1,690,282</u>	<u>921,764</u>
Net cash increase/(decrease) in cash and cash equivalents	<u>273,147</u>	<u>(7,269,288)</u>
Cash and cash equivalents at the beginning of half year	<u>55,463</u>	<u>9,792,285</u>
Net foreign exchange differences	<u>-</u>	<u>-</u>
Cash and cash equivalents at the end of half year	<u><u>328,610</u></u>	<u><u>2,522,997</u></u>

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the Half-Year Ended 31 December 2019

1. BASIS OF PREPARATION OF HALF-YEAR REPORT

This consolidated interim financial report for the half-year reporting period ended 31 December 2019 has been prepared in accordance with AASB 134 Interim Financial Reporting and the Corporations Act 2001.

This consolidated interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2019 and any public announcements made by Elmore Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for those described in Note 1 (a) below.

The consolidated entity has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current reporting period.

The accounting policies and methods of computation adopted in the preparation of this financial report for the period under review are consistent with those adopted in the annual financial statements for the year ended 30 June 2019.

(a) Changes in Accounting Policies

Adoption of new and amended Accounting Standards

A number of new or amended standards became applicable for the current reporting period resulting in a change to the entity's accounting policies and retrospective disclosure adjustments being made as a result of adopting AASB 16 Leases.

The impact of the adoption of the leasing standard and the new accounting policies are disclosed below. The other standards did not have any impact on the entity's accounting policies and did not require retrospective adjustments.

(i) AASB 16 Leases

This note explains the impact of the adoption of AASB 16 Leases on the entity's financial statements and discloses the new accounting policies that have been applied from 1 July 2019.

The Group has adopted AASB 16 using the modified retrospective approach from 1 July 2019, but has not restated comparatives for the 2019 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised prospectively from 1 July 2019.

Adjustments recognised on adoption of AASB 16

On adoption of AASB 16, the entity recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of AASB 117 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using an arm's length asset finance facility borrowing rate as of 1 July 2019. The weighted average incremental borrowing rate applied to the lease liabilities on 1 July 2019 was 20%.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Half-Year Ended 31 December 2019 (Continued)

	2019
	\$
Operating lease commitments at 1 July 2019	98,560
Discounted using the lessee's incremental borrowing rate at the date of initial application	(15,031)
Add: finance leases liabilities recognised as at 30 June 2019	-
(Less): short-term leases not recognised as a liability	(16,560)
(Less): low-value leases not recognised as a liability	-
Lease liability recognised at 1 July 2019	66,969
Of which are:	
Current lease liabilities	29,186
Non-current lease liability	37,783

The associated right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments or onerous provisions relating to that lease recognised in the balance sheet as at 1 July 2019.

The recognised right-of-use assets relate to the following kind of assets:

	31 Dec 2019	1 July 2019
Land and buildings	50,227	66,969
Plant and equipment	352,668	-
Total right-of-use assets	402,895	66,969

Practical expedients applied

In applying AASB 16 for the first time, the entity has used the following practical expedients permitted by the standard:

- The use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Reliance on previous assessments on whether leases are onerous;
- The accounting for operating leases with a remaining lease term of less than 12 months as at 1 July 2019 as short-term leases;
- The exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- The use of hindsight in determining the leases term where the contract contains options to extend or terminate the lease. The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying AASB 117 and IFRIC 4 Determining whether an Arrangement contains a Lease.

Convertible Note Liability

Convertible notes were issued by the Company during the period, which include the option to convert the security into a variable number of shares in the Company. On initial recognition, the conversion feature which is an embedded derivative together with the host debt are accounted for as financial liability at fair value through profit or loss and this equates to proceeds received. Subsequently the notes are measured at fair value with movements in its carrying amount are recognised in the statement of profit or loss as finance costs, except to the extent the movement is attributable to changes in the company's own credit status, in which case the movement is recognised in other comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Half-Year Ended 31 December 2019 (Continued)

(b) Going Concern

The consolidated financial statements have been prepared on a going concern basis.

For the half year ended 31 December 2019, the consolidated entity recorded a loss of \$1,567,953 (31 December 2018: loss of \$8,421,564) and had net cash outflows from operating and investing activities of \$1,317,816 (31 December 2019: \$2,984,599). At 31 December 2019, the consolidated entity had working capital surplus of \$918,532 (31 December 2019: surplus of \$34,286).

On 31 January 2020, the World Health Organisation (WHO) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (COVID-19 outbreak) and the risks to the international community as the virus spreads globally beyond its point of origin. Because of the rapid increase in exposure globally, on 11 March 2020, the WHO classified the COVID-19 outbreak as a pandemic. These events are having a significant negative impact on world stock markets, currencies and general business activities.

The full impact of the COVID-19 outbreak continues to evolve at the date of this report. The Board and Management of the Company will continue to actively pursue opportunities as they arise however the Company is not able to estimate the full effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for the 2020 financial year. If the pandemic continues, it may have a material adverse effect on the Company's results of future operations, financial position, and liquidity in the next financial year.

As at the end of November 2020, the consolidated entity's cash balance was \$229,520, and had working capital deficit of \$1,744,992 which, included trade creditors of \$994,467, and a \$618,356 (inclusive of accrued interest) bridging loan from Twynam Investments Pty Ltd (one of the largest shareholders of the consolidated entity), which would mature on 31 March 2021. It also includes various short-term loans totalling \$195,000 which all originally mature by 30 June 2020 but now extended to 31 March 2021.

The ability of the consolidated entity to continue as a going concern is dependent on:

- Twynam and other short-term loan holders continuing to agree to not call on the loans until such time that the company is in a position to repay;
- Current trade creditors agreeing to not call on the amounts owing until such time that the company is in a position to repay;
- The successful commercialisation and generation of positive cash flows of the consolidated entity's iron ore and gold processing projects; and
- Securing additional funding through debt or equity to continue to fund its operational and development activities.

These conditions indicate a material uncertainty that may cast a significant doubt about the consolidated entity's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The financial statements have been prepared on the basis that the consolidated entity is a going concern, which contemplates the continuity of normal business activity, realisation of assets and settlement of liabilities in the normal course of business for the following reasons. The consolidated entity expects to:

- Continue to receive full support from its creditors, in particular, for them to not demand repayment of balances due to them until such time that Elmore Ltd has sufficient working capital or is generating sufficient revenue to meet its normal financial obligation as and when they fall due;
- Successfully secure equipment finance funding to deliver and install additional processing equipment as necessary to support our mobile crushing & screening operations in Australia. Also, to continue to expand its processing activities to generate positive cashflow from the iron ore and gold processing contracts;
- Receive an agreeable accommodation in relation to the bridging loan facility with Twynam Investments and other short term loans, which matures now mature in 31 March 2021;
- Raise additional finance from debt or equity if and when required, to contribute to the consolidated entity's working capital position in the near term; and

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Half-Year Ended 31 December 2019 (Continued)

- Seek to raise approximately \$2 million in the first quarter of 2021. The Company is considering a number of options regarding the structure of this funding.

Should the consolidated entity not be able to continue as a going concern, it may be required to realise its assets and discharge its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements and that the financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or liabilities that might be necessary should the consolidated entity not continue as a going concern.

(c) Incomplete records for prior period

On 7 January 2019, the Company ceased operation in India. Subsequently in April 2019, the Company entered into an agreement to divest its Indian subsidiary, NSL Mining Resources India (Pvt) Ltd ("NSL MRI India"), to Benita Industries in exchange for Benita taking over all financial liabilities. During this process, the NSL MRI India office in Hyderabad closed and as part of this closure, the finance and administrative employees did a full handover of all books and records to Benita.

As a result of this handover, the current Directors of the Company lost physical control over the financial records, and currently there are no electronic records available to the Directors.

The Directors have not been able to source books and records of NSL MRI India up to the date of this report. Ownership of the subsidiary's financial records were transferred to the Benita on the effectuation of the divestment arrangement.

To prepare the comparative information of this financial report, the current Directors have reconstructed the financial records of the Group using data extracted from the Group's accounting system for the period. However, there may be information that the Directors have not been able to obtain, the impact of which may or may not be material on the financial statements.

The comparatives in these financial statements do not contain all the required information or disclosures in relation to transactions undertaken by the Group as this information is unascertainable due to divestment process and/or the change in directorships and key management personnel of the Group.

2. SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the strategic steering committee that are used to make strategic decisions.

For management purposes, the Group is organised into one main operating segment, which involves mineral processing in Australia. Discrete financial information is reported to the Board (Chief Operating Decision Makers) as one segment. Accordingly, all significant operating decisions are based upon analysis of the Group as one segment.

3. EXPENSES

	31 Dec 2019	31 Dec 2018
Operational expenses (1)	459,683	-
Impairment of Indian Assets (2)	-	6,633,587
	<u>459,683</u>	<u>6,633,587</u>

(1) The Company commenced preparations for its operations in Francis Creek during the half year.

(2) In the 30 June 2019 full year, the Company entered into an agreement to divest its Indian subsidiary, NSL India MRI, including the P1 and P2 plant and equipment, to Benita Industries in exchange for Benita taking over all financial liabilities. As a consequence the directors have determined that due to the decision to discontinue the operations in India, that all assets associated with the projects in the subsidiary should be impaired.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Half-Year Ended 31 December 2019 (Continued)

4. OTHER RECEIVABLES AND PREPAYMENTS

	31 Dec 2019	30 Jun 2019
Current		
Security deposits	-	-
Other receivables and prepayments (1)	229,706	340,716
	229,706	340,716
Non-Current		
Security deposits	55,772	34,918
	55,772	34,918

- (1) Other receivables generally arise from transactions outside the usual operating activities of the entity. The current balance primarily represents the receivables relating to good and services tax of \$55,232 and a loan to Trendsheer Holdings Pty Ltd of \$150,000. Interest is charged on the loan at 10% per month calculated daily and compounding monthly. The loan was fully repaid in April 2020.

5. BORROWINGS

	31 Dec 2019	30 Jun 2019
Current		
Borrowings – convertible note (1)	504,932	-
Borrowings – equipment finance (2)	68,101	-
	573,033	-

- (1) During the half year period, the Company issued a secured convertible note for \$500,000 issued in two tranches.

The key terms of the Convertible Note are:

- ELE will pay a coupon rate of 20% p.a. Interest is payable with principal on maturity of the Note. Original maturity date was 19 March 2020. If interest rate becomes 30% on all outstanding sums owed if the issuer is late repaying the Note. Interest has been charged at 30% since 31 March 2020.
- The note will be redeemed in full no later than 90 days after subscription, unless otherwise mutually agreed.
- The method of payment of each tranche is at the discretion of the issuer and will be up to either:
 - o \$500,000, plus interest in cash
 - o A variable number of shares equal to \$500,000 where the Share value is calculated at the lowest of AU\$0.02 or 25% discount to the share price of any equity raise undertaken prior to the Maturity Date. Conversion is at the discretion of the Noteholder.
- The note is secured by a General Security Agreement (GSA) granting fixed and floating security over all major plant items not secured under equipment finance agreements or leases.

- (2) During the half year period, the the Company entered into an equipment financing agreement for the purchase of Toyota Landcruiser utility and a Holden Colorado utility.

The key terms of the Equipment Finance are:

- Commencement date: 9 September 2019
- Fixed term: 48 months
- Amount financed: \$73,300
- Monthly rental of \$1,917.11

6. EQUITY SECURITIES ISSUED

	31 Dec 2019 Shares	31 Dec 2018 Shares	31 Dec 2019 \$	31 Dec 2018 \$
Issue of ordinary shares during the half-year				
Issue of Shares – issued at \$0.04	28,125,000	-	1,125,000	-
Less: equity raising costs	-	-	-	-
	28,125,000	-	1,125,000	-

- (1) The company raised \$1.125 million for 28,125,000 shares under existing approval to existing significant shareholders.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Half-Year Ended 31 December 2019 (Continued)

7. DIVIDENDS

No dividends have been declared or paid since the start of the financial period, and none are recommended.

8. CONTINGENCIES

There has been no change in contingencies since the 30 June 2020 reporting period until the end of this period.

9. COMMITMENTS

There are no changes to the commitments since the 30 June 2020 reporting period.

10. RELATED PARTY TRANSACTIONS

There has been no change in related party or key management personnel transactions during the period.

11. EVENTS OCCURRING AFTER REPORTING DATE

Frances Creek

Elmore sent its mobile crushing and screening plant to Frances Creek in late March. The plant was used to crush low-grade iron ore stockpiles and later to process direct ship grade iron ore (DSO). The low-grade material was upgraded using an ore-sorter and, in the future, a dense media separation (DMS) plant, both of which are the responsibility of Trendsheer. Effective from 1 March 2020, Elmore was on a contract rate of \$200,000 per month plus GST..

Elmore and Trendsheer also agreed to continue with the fixed rate of \$200,000 per month plus GST, but vary the contract to include, in addition to Elmore providing the crushing and screening circuit, they will provide management oversight of the crushing, screening, beneficiation and maintenance personnel. This variation was executed in early June 2020 and obligates Trendsheer to be responsible for all operating and maintenance costs associated with the plant, whilst providing Elmore with more certainty of cashflows, independent of when the ore-sorter and DMS is commissioned.

The equipment hire and consulting contract with Trendsheer was completed on 30 September 2020,

Elmore then determined Trendsheer's final equipment "make good" payment in early October and signed a land Access Agreement, which allows the Company to relocate the mobile and fixed crushing and screening plant (FCFP) from Frances Creek.

Trendsheer finalised all outstanding payments in early October, which totalled more than \$980k.

With the Access Agreement signed, work was undertaken to dismantle the FCFP and relocate it to Darwin. Where it can be worked on and stored, whilst determining the next location for it to be deployed. The plant is now fully relocated safely to Darwin.

The Company has started the process of converting the FCFP components into a 4-5Mtpa moveable crushing and screening plant, utilising the Company's proprietary modularly foundations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Half-Year Ended 31 December 2019 (Continued)



Elmore's crushing and screening plant established at Frances Creek.

Peko Tails Project

Subsequent to 31 December 2019, ICA Mining (ICA) finalised its funding for its Peko Tailings Project (Peko) which allowed Elmore to commence preparations towards processing of both iron ore and gold. Pursuant to the contract with ICA, as of 1 May 2020 Elmore was entitled to be paid a monthly standby rate of \$200,000 plus GST. In the interests of both parties, Elmore offered ICA for this fee to be restructured such that the Company will now provide additional project management services, including but not limited to, geology, safety, security and product marketing for no extra cost to ICA. This is in addition to the originally planned oversight of design, procurement and construction of ICA's magnetite processing facilities. Separately, Elmore is continuing to design and develop its mobile gold plant. It is expected that the project management consulting fee will cover a more extensive scope of deliverables than originally anticipated, although still within Elmore's capabilities.

Elmore and ICA Mining completed negotiations in June 2020, amended and executed the service contract and settled outstanding invoices issued for the May and June period that were accrued during the negotiations.

The changes in the contract relates primarily to the fee structure for the delivery of the magnetite processing component of the contract (with no changes to the gold processing component). The pertinent changes to the contract are:

- Replacement of the standby rate with a schedule of consulting rates, plus a 10% administration margin on monthly invoices. The consulting schedule of rates has applied until October 31st, which is the target date for first magnetite product.
- The previous contract had Elmore receiving a tiered percentage of free cash generated from magnetite product sales. It was agreed that this was both difficult to administer and potentially counter to the interests of all parties. From the 1st November 2020 onwards, for a term of 5 years, Elmore will now oversee the production of magnetite from ICAs plant on the revised structure of:
 4. All operating costs borne by ICA;
 5. Monthly management fee paid to Elmore of \$100,000 plus GST paid in arrears and calculated pro-rata each calendar month during the Processing Stage; and
 6. Production fee of \$2.00 per tonne of saleable magnetite product removed from site to be paid to Elmore.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Half-Year Ended 31 December 2019 (Continued)

Gold, copper and cobalt (polymetallic) rich tailings processing remains unchanged at:

Processing of Gold, Copper and Cobalt Bearing Tailings Post Treatment for Magnetite Extraction – Gravity separation, Flotation and Leaching

- AU\$30.00 per tonne of in-feed with power provided by Processor
- AU\$22.00 per tonne of in-feed with power provided by Miner

Processing of Gold Bearing Primary Ore – Crushing, Grinding, Gravity separation, Flotation and Leaching

- AU\$44.00 per tonne of in-feed with Power provided by Processor
- AU\$36.00 per tonne of in-feed with power provided by Miner

Elmore and ICA Mining have agreed to suspend the commencement of the polymetallic tails processing project until later in H2, 2021 to provide time to optimise the final product(s) to be produced. The project is looking to produce a combination of concentrate +/- gold dore.

Biggs Matter

Subsequent to half year end, Elmore settled the Biggs matter for an anticipated cash settlement of \$50,000 to be paid by Mr Biggs by 30 June 2020. In July 2020 the Company entered into a Deed of Settlement with Mr Briggs to repay the settlement amount of 5 equal instalments beginning July 2020. All of these repayments were made during the year.

Sean Freeman Matter

On 26 April 2019 Sean Freeman's (previous Chief Operating Officer and Managing Director of NSL MRI) employment was terminated.

Subsequent to this, Mr Freeman issued legal proceedings against Elmore and personally against Elmore's Managing Director for wrongful dismissal and based around failure to pay a range of entitlements under his Executive Service Agreement.

The matter was heard by the Federal Circuit Court on Friday 16 October 2020. The Company was successful at trial and the case was dismissed in its entirety. Due to the forum in which the trial was held, no order was made for costs of either party.

Fund Raising

On 5 March 2020 the Company entered into a loan agreement with SA & J Boyle for the principle sum of \$20,000 at an interest rate of 18% per annum payable by 5 September 2020. Subsequent to the period end the loan was extended to 31 March 2021.

On 20 March 2020 the Company entered into a loan agreement with J.E.D International Pty Ltd for the principle sum of \$75,000 at an interest rate of 3.5% per month payable over a three month period. Subsequent to the period end the loan was extended to 31 March 2021.

The Company also received \$100,000 on 20 March 2020 after entering into a loan agreement with OMT Investments Pty Ltd at an interest rate of 3.5% per month payable over a three month period. Subsequent to the period end the loan was extended to 31 March 2021.

There were no other subsequent events other during the period.

DIRECTORS' DECLARATION
31 December 2019

1. In the opinion of the Directors of Elmore Limited and its controlled entities ('the Group'):
- (a) the financial statements and notes set out on pages 9 to 20 are in accordance with the Corporations Act 2001, including:
 - (i) Complying with Accounting Standards, AASB 134 Interim Financial Reporting, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - (ii) Giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and of its performance for the half-year ended on that date; and.
 - (b) Subject to the matters highlighted in Note 1 (b), there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the Directors by:



David Mendelawitz
Director

Perth, 11 December 2020

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Elmore Limited

Report on the Half-Year Financial Report

Qualified conclusion

We have reviewed the half-year financial report of Elmore Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, except for the effects of the matter described in the *Basis for qualified conclusion* section, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of the Group does not comply with the *Corporations Act 2001* including:

- (i) Giving a true and fair view of the Group's financial position as at 31 December 2019 and of its financial performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for qualified conclusion

As disclosed in Note 1 (c), for the period ended 31 December 2018, the current Directors of the company lost physical control over the financial records of its subsidiary, NSL Mining Resources India (Pvt) Ltd ("NSL MRI India"). Due to the timing of the half-review, we were unable to obtain access to the complete books and financial records of NSL MRI India. As a result, we were unable to determine whether any adjustments might have been found necessary in respect of the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended 31 December 2018, and notes to the financial statements for the half-year ended 31 December 2018. Our review conclusion on the 31 December 2018 half-year financial report was disclaimed accordingly.

Our conclusion on the current year's financial report is also modified because of the possible effect of this matter on the comparability of the current period's figures and the corresponding figures.

Material uncertainty relating to going concern

We draw attention to Note 1 (b) in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our conclusion is not modified in respect of this matter.



Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to the audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001* which has been given to the directors of the Company, would be the same terms if given to the directors as at the time of this auditor's review report.

Responsibility of the directors for the financial report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's responsibility for the review of the financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2019 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

BDO Audit (WA) Pty Ltd

A handwritten signature in dark ink, appearing to read 'J Prue', is written over a faint, larger 'BDO' watermark.

Jarrad Prue

Director

Perth, 11 December 2020